

**DEPARTMENT OF TAXATION
2004 Fiscal Impact Statement**

1. **Patron** John M. O'Bannon, III
3. **Committee** Passed House and Senate
4. **Title** Transient Occupancy Tax: Allows
Chesterfield, Hanover, and Henrico Counties
to Impose Additional Tax

2. **Bill Number** HB 741
House of Origin:
 Introduced
 Substitute
 Engrossed

- Second House:**
 In Committee
 Substitute
 X **Enrolled**

5. Summary/Purpose:

This bill would authorize Chesterfield, Hanover, and Henrico counties to impose an additional transient occupancy tax not to exceed one percent. The revenues collected from the additional tax shall be designated and spent for the development and improvement of the Virginia Performing Arts Foundation's facilities in Richmond, for promoting the use of the Richmond Centre and for promoting tourism, travel or business that generates tourism and travel in the Richmond metropolitan area.

The effective date of this bill is not specified.

6. **No Fiscal Impact:** Not available. (See Line 8.)

7. **Budget amendment necessary:** No.

8. Fiscal implications:

This bill would have no impact on state revenues. It is unknown the amount of revenue that would be generated because it is unknown how many, if any, of the localities will impose the additional tax authorized in this bill.

9. Specific agency or political subdivisions affected:

Chesterfield, Hanover, and Henrico counties
City of Richmond

10. **Technical amendment necessary:** None.

11. Other comments:

Under current law, any county may impose a transient occupancy tax at a maximum rate of two percent, upon the adoption of an ordinance, on hotels, motels, boarding houses, travel campgrounds, and other facilities offering guest rooms. The tax, however, does not apply to rooms rented on a continuous occupancy by the same individual or group for 30 or more continuous days.

Under this bill, the counties of Chesterfield, Hanover and Henrico would be authorized to impose an additional transient occupancy tax not to exceed one percent. All revenues generated from this additional tax must be designated and appropriated to service the debt on a performing arts center and to attract convention business to the region. These same localities are already authorized to impose an additional transient occupancy tax of up to 6% to promote other facilities and tourism in the Richmond area.

Counties Authorized to Impose Additional Transient Occupancy Tax

Albemarle, Amherst, Augusta, Bedford, Botetourt, Caroline, Cumberland, Dinwiddie, Franklin, Gloucester, James City, King George, Loudoun, Mecklenburg, Nelson, Page, Prince Edward, Prince William, Pulaski, Rockbridge, Spotsylvania, Stafford, Tazewell, Wythe, and York are authorized to impose a transient occupancy tax at a maximum rate of five percent. The revenues for the portion of the tax over two percent must be spent on tourism and promoting tourism.

Arlington County and Roanoke County may impose the tax up to a rate of five percent. Arlington County may impose a ¼% transient occupancy tax effective January 1, 1991 through January 1, 2006. Proceeds collected from the additional ¼% tax must be designated for promoting tourism and business travel.

The counties of Chesterfield, Hanover, and Henrico may impose an additional transient occupancy tax not to exceed six percent (total maximum rate of eight percent). The revenues from the additional six percent must be used to promote tourism and travel in the Richmond Metropolitan area. Arlington County may impose an additional two percent to be used for design, construction, debt payment and operation of a county conference center.

Other Legislation

House Bill 739 authorizes Floyd County to impose the transient occupancy tax at a rate not to exceed five percent, with all revenues over 2% to be used to promote tourism in the county. Floyd County currently does not impose a transient occupancy tax.

House Bill 1001 authorizes Fairfax County to impose an additional two percent transient occupancy tax, revenues to be used to promote tourism and economical development.

Senate Bill 517 authorizes Rockbridge County and the cities of Lexington and Buena Vista to impose an additional 2% transient occupancy tax, the revenues to be used for paying down debt to the Rockbridge Industrial Development Authority.

cc: Secretary of Finance

Date: 2/27/04 wbs